

Funds Covered by the TEL: All.

Under provisions of the Tax Expenditure Limit (TEL) proposal, scheduled for a vote on the statewide ballot in November as Issue 1, all political subdivisions (counties, cities, villages, school districts, townships and special districts) are subject to an annual spending limit. That limit is equal to the Consumer Price Index plus the rate of population growth or 3.5%, whichever is higher. That limit includes all expenditures, except money from the federal or state government, private grants, refunds and money spent on emergencies.

Supporters of the TEL say the limits have nothing to do with capital expenditures and funds outside of the General Fund. Nowhere in the TEL can that exception be found. The TEL does not make any distinction between funds when it comes to aggregate local expenditures.

According to the language of the TEL, all expenditures of the municipality and other local governments are the measure of whether a local government has stayed within the spending caps that TEL demands. Thus a small city that spends \$7,000,000 one year out of its General Fund, \$10,000,000 out of its Utility Funds, \$1,000,000 out of other enterprise funds (golf course, swimming pools, etc.), \$1,000,000 out of a fund from gas and licenses taxes and \$1,000,000 for debt service, starts out with a budget of \$20,000,000.

The following year, without growth, that budget overall could grow, under the TEL, to \$20,700,000, without voter approval. This could, of course, lead to a number of problems. Because the municipality's General Fund is mostly made up of payroll and state-mandated collective bargaining has resulted in pay raises for employees of 3%, the city must increase General Fund \$210,000 just for pay raises. Health care costs also rise \$100,000. No problem. The city has projected for this and its covered.

The sewer and water system gets hit with a couple of water main breaks, a planned expansion and new Ohio EPA requirements, implementing federal law, that cost \$1,000,000 in total. No problem. The reserve funds have foreseen most of this and its covered. The duffers and swimmers, however, have not been pulling their weight, which they must do, under a policy adopted in 1981. Swim fees and greens fees must be increased by ten per cent to keep these facilities in good shape and to make sure these facilities do not drain tax payer dollars. This is the first increase in five years. This increases revenues and spending in those areas \$100,000.

Additionally, an audit finds that \$25,000 worth of folks did not have their auto license fees correctly distributed to the city. The city decides to match this, with \$25,000 from the General Fund, to pave a few more alleys and streets. Finally, the city, a year prior, got a \$2,000,000 low-interest loan from the Ohio Public Works Commission for a bridge that was falling down and the repayment schedule is just kicking in. The cost of \$50,000 for loan repayment is covered by the city's reserve fund.

Currently, the employees get their modest raises, the sewer and water systems do not pollute the earth, the swimmers and golfers get a nice place to play, the streets and alleys get paved and the bridge makes the route to school safe for little children. Under TEL, this budget is an out of control exercise in wild government spending that must be voted on by the people. Instead of spending \$20,700,000, the city will spend \$21,510,000, an amount \$810,000 over the TEL cap. The fact that this "excess" spending didn't cause any tax increase, any rate increase for utility customers and increased safety and service in the community doesn't matter to the TEL.

The whole proposal must go to the ballot, where it must receive a majority vote from all voters registered in the city. This being the sort of silly election no one thinks should be held in the first place, 2,000 of the city's 10,000 faithful voters show up at the polls. 2,000 people vote for the issue and it fails, because it needed 5001 votes to pass, under the language of the TEL.

A question left for the city, other than changing its budget, is whether to spend a lot of money on the lawsuit challenging the increase in swimming and greens fees as a "tax increase" not allowed without a vote by the TEL. It seems the TEL forgot to define revenue sources that count in relation to "aggregate political subdivision expenditures," even though it did so for the definition of "aggregate state expenditures." Oops!